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REVIEWS AND NEW BOOKS

General Works, Theory and Its History

Economics: An Introduction for the General Reader. By HENRY CLAY. (London: Macmillan and Company. 1916. Pp. x, 476.) American edition, edited by EUGENE E. AGGER. (New York: The Macmillan Company. 1918. Pp. xviii, 456. \$2.00.)

Those who have known this work in the original British edition of three years ago will welcome it anew in its Americanized imprint. Those who are unfamiliar with it will find in it the most readable introduction to economics that has appeared for a long time in either England or the United States.

Its purpose, as Clay explains in the preface, is not that of a textbook but rather "to try to do for the economic organization as a whole what Bagehot and Hartley Withers have done for part of it, the credit system—to explain the principles of its construction and working in the language of ordinary life and with reference to the experience and interests of the ordinary man," who has "a practical interest in the economic system and an experience of its working which the academic student lacks." It is his purpose also, he says, to "include some consideration of the relation of the economic organization to political and ethical aims and standards," since "existing introductions to economics give the student too little help in applying its conclusions."

The book accomplishes four things that are well worth the doing. It gives a presentation of the essentials of economics that is unusually clear and thoroughly entertaining; it contains in its first six chapters the best brief account to be found anywhere of the nature and mode of operation of the present economic system on its productive side; it presents in chapters 21 to 24 a critique of that system, and of the nineteenth century economics that unhesitatingly justified it—a critique that has few rivals in its incisiveness and suggestive possibilities; and it offers in its final chapter a discussion of the *unmorality* of business and of common economic thinking, with suggestions for the "moralization" of the existing system. This chapter is well worth the reader's time, though the reviewer suspects it will be rather tough provender for the general reader and he is not quite sure what his friends among the ethicists and philosophers will say to this effort at the rejuvenation of utilitarianism.

In the first six chapters, as, indeed, throughout the book, Clay appears as a critic, yet none the less a defender, of the present economic system. Freedom of enterprise and the selective force of market competition work imperfectly but it is control rather than abolishment that is needed. To the reviewer these chapters seem the best part of the book. Their great virtue, an important reason doubtless for their unusual vividness of presentation, is their consistent emphasis upon the functional point of view, which looks upon industry not so much as a matter of structures as of functions to be performed and is directed toward an examination of things to be done and ways of doing them rather than toward an analysis of the business and industrial units by which they are accomplished. Since the unity of life is functional rather than structural, a greater degree of unity can be given to any subject by passing through the function to the structure than is possible when the point of view is reversed. This viewpoint, developed wonderfully well by Clay in his first six chapters, is all but lost in chapters 7 and 8, *Monopoly and Combination*, and is dropped altogether thereafter until, near the close of the book, it is taken up again in chapter 21, *The State and Economic Organization*, with the beginning of a consecutive discussion of the present economic system as related to welfare, which occupies the rest of the book. Clay wields a facile pen at all times, and it is to be borne in mind that he is writing for the "general" reader. But one can not help regretting that the economist-reader, who will certainly enjoy the first six chapters and be stimulated to undertake some thinking of his own by the last five, must find so much of the intervening material merely commonplace except for its trenchant style and pleasantly unconventional mode of treatment.

Clay's criticisms of the present economic organization are aimed both at its inefficiency in production—inefficiency in producing the greatest possible amount of welfare—and at its weaknesses as a device for distributing income. The emphasis throughout is upon welfare, though welfare is not defined. Its definition is implied, however, for it appears from his discussion that for the purpose he has in hand Clay assumes that the individual fares well in proportion to the number of his satisfied wants and that social welfare is greatest when goods and services are so distributed as to satisfy those wants that are most intensely felt by whomever they may be felt. He speaks of welfare in this latter sense.

His heaviest blows at the existing system are struck at its mal-

functioning as a distributive device. They are to be found principally in the last five chapters, in which he discusses "the relation of the economic organization to political and ethical aims and standards" (see preface). The existing system is unjust, if justice is to be based upon welfare, because it gives to the individual a reward based upon the market value of his services or his property, not upon their usefulness in increasing welfare. (Clay does not use the term *justice* in this connection, but he clearly has in mind what most of us denote by that term.) The two standards of justice, the one based upon market value, the other upon welfare, are not identical. To increase wealth does not of necessity mean to increase welfare; and to argue as some of the older economists still continue to do concerning the individual who is rewarded according to the market value of the service he performs, or the market value of the income from the wealth he owns, that he is rewarded in proportion to his productiveness in terms of welfare, is reasoning in a circle. "The defense of the present distribution of income that it is in accordance with productivity *that each gets the value of his contribution to wealth* is an explanation merely, not a defense. Value is a question begging term. All that this argument amounts to is that *the contribution of each is valued at what he gets*"¹ (pp. 386-387),² and valued in terms of wealth, not of welfare. Distribution according to market value can not be equivalent to distribution according to service in satisfaction-giving because "market value is not an absolute measure of satisfaction. . . . The rich man's dollar has the same influence on market values as the poor man's dollar, [although] it represents a much smaller satisfaction" (pp. 399-400). It is demand that affects market value, but "demand is not the same thing as want or need; demand is no guarantee of desirability by any standard other than those of the market" (p. 422); for demand depends not alone upon the want for the commodity but also upon the available income of those who want, and incomes differ. "The [economic] organization would be responsive to need . . . only if wealth were equally distributed" (p. 423). Our common emphasis upon market value usually leads us astray. Instead of serving as a true guide to maximum productivity and the greatest possible welfare, "free enterprise . . . following market values, is an automatic device for securing an uneconomical application of productive

¹ The italics are Clay's.

² References to pages are to those of the American edition.

power and preventing a maximum of satisfaction from being secured for a minimum of effort and sacrifice" (pp. 401-402).

Clay's position here is not wholly upon new ground; but it is interesting, to say the least, to find so clear-thinking an economist coming out even by implication for a system of distribution according to need, the more so since he commits himself against socialism. (See page 417.) It would be unjust to accuse Clay of advocating such a system. He says (p. 370) that his purpose is "merely the elucidation of the present system and not the advocacy of some alternative system," and he nowhere states that a scheme of distribution according to need could be or ought to be introduced. He does make it pretty plain, however, that he thinks the substitution of market value for need as the determining standard in distribution is the point at which the present economic organization departs farthest from the goal of maximum welfare.

On its productive side the operation of the system, Clay points out, results in the subordination of welfare to wealth. Our minute division of labor has given to the conditions surrounding labor and the spirit in which labor is performed quite as important a function in the determination of welfare as that which attaches to the amount of wealth produced and to the relative inequality with which it is distributed. Man is normally a working being. He should live to work as well as work to live. But the present system has removed from many kinds of work the distinction between the useful and the useless, has deprived the "detail worker" of that exercise of the creative instinct that gives the sense of satisfaction to the craftsman and artist, and has brought about "the subordination of the detail-workers to the organizers of industry" (p. 410), giving play to tyranny on the part of the latter in many directions and depriving the workers of the satisfactions that come with the feeling that one is possessed of liberty. Maximum welfare is sacrificed to maximum production of wealth.

Such help as Clay gives the reader in applying his conclusions (see quotation from the preface) is to be found mainly in his use of suggestion. He never attempts to do more than to indicate the direction in which our society must move if the ills of the present system are to be removed or alleviated. He seldom or never proposes concrete remedies. His conclusions in this connection are summed up at the close of the book on pages 443-444. His suggestions are essentially those of the "state socialists," but he lacks the boundless faith in government activity which some of them

possess. He stands for control of the present organization by state action rather than for any deep-seated change in it.

Concerning the new American edition there can be nothing but praise. It is printed in larger type, bound in better and more attractive covers, and contains an index which is lacking in the British edition. Professor Agger has substituted American for British illustrations wherever practicable, and has inserted subsection headings in black-faced type summarizing every paragraph or two, after the manner of the usual textbook. The former change adds to the value of the book for American use. Few will object to the latter, while those who like this pedagogical device will doubtless value the book more highly because of it. No other changes have been made except those of a typographical nature to accord with American usage.

As a textbook, this work will probably find its widest use as an auxiliary to other material. Its brevity recommends it for such a use, for which, indeed, it has few if any superiors. The day of the standard one-text class in general economics is passing. The Clay book will not be less welcome if it aids in its disappearance. Those who prefer to carry on instruction mainly with one standard text will probably wish to supplement Clay on the side of formal value and distribution theory and will doubtless want to use additional descriptive matter. Whatever use be made of it, Professor Agger has earned the thanks of American economists for making more easily available the best small volume on general economics that has appeared in this decade.

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NEW BOOKS

CARTER, H. *The limitations of state industrial control. A symposium.* (London: T. Fisher Unwin. 1919. 6d.)

KALE, V. G. *Introduction to the study of Indian economics.* (Poona: Aryabhushan Press. 1918. Pp. 534. Rs.5.)

Highly praised by Professor H. S. Jevons in *Indian Journal of Economics*, December, 1918, page 423. Certain "chapters are devoted to Commercial Policy—i.e., whether freedom of trade or protection will be the most beneficial to India, to The Currency System, and to the discussion of the Foreign Exchange, including Gold Exchange Standard. Then follows a discussion of indigenous banking and of the modern growth of Exchange Banks and Joint Stock Banks: and the coöperative movement is then described. . . . In chapter XVI is a description of Taxation which touches on the